

# CONSERVATION AND RESOURCE DEVELOPMENT DIVISION



PHOTOS: CHILDREN ON FIELD TRIP BY ROSS CAMPBELL; HAY PASTURE BY LARRY BLOXSON; DITCH DIGGING BY DNRC STAFF.

## CONSERVATION AND RESOURCE DEVELOPMENT DIVISION

*Provide technical and financial assistance to local governments, state agencies, and private citizens for the conservation, development, protection, and management of the state's natural resources.*

The Conservation and Resource Development Division (CARDD) helps manage natural resources and finances conservation, resource management, and reclamation activities. The division has 24 employees who administer the work of the Conservation Districts Bureau, the Financial Development Bureau, and the Resource Development Bureau.

### Conservation Districts Bureau

Under state law, the Conservation Districts Bureau (CDB) is responsible for assisting Montana's conservation districts and state grazing districts. A conservation district (CD) is a legal subdivision of state government that (1) develops and carries out long-range programs that will conserve and improve soil and water resources within its boundaries, and (2) encourages maximum participation by the general public and all local public and private agencies to fulfill this purpose.

CDB works with the people of Montana on these eight areas of conservation and resource management.

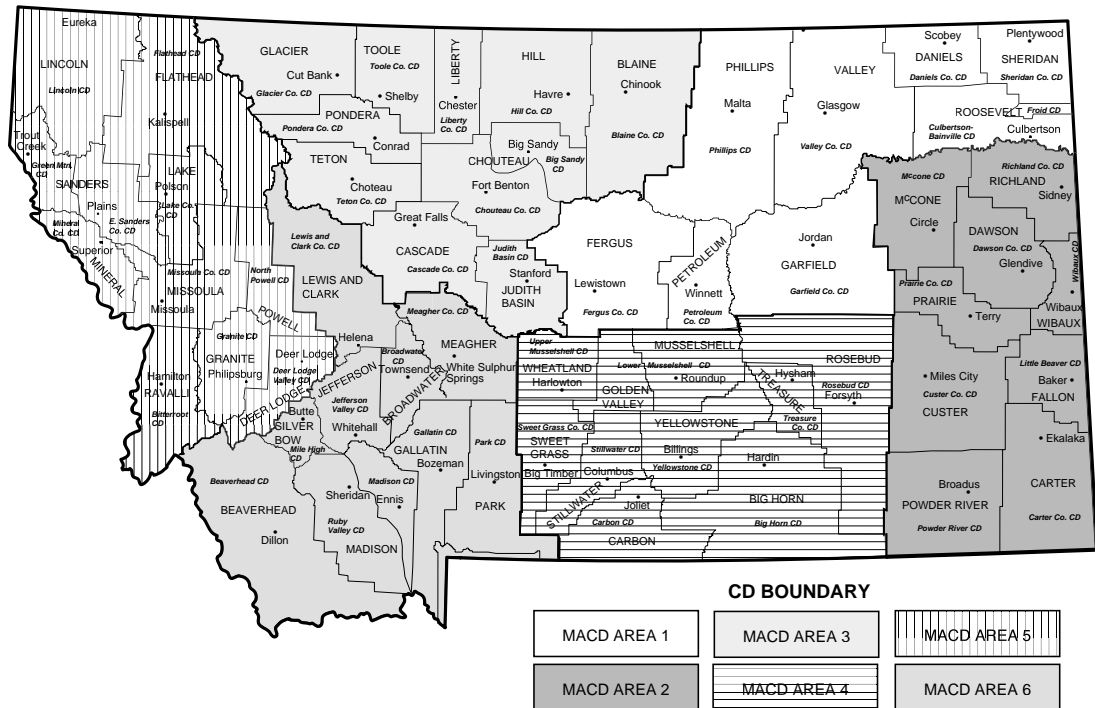
- Conservation district supervision and assistance
- Watershed efforts and projects
- Rangeland management coordination
- Stream protection
- Natural resource conservation education activities
- Grant and loan programs
- Resource conservation and development (RC&D) areas
- Salinity control

### Conservation District Supervision and Assistance

The bureau provides administrative, legal, and financial assistance to Montana's 58 conservation districts (see Figure 3) to help them identify and address local natural resource concerns. In FY 2004, CD workshops were held to draft model rules to administer Natural Streambed and Land Preservation (310) Permits, which will aid CDs in complying with 2003 legislative changes, and to assist CDs with administrative matters concerning pertinent CD laws. Emphasis was placed on assisting CDs to comply with open meeting law requirements, Farm Bill confidentiality issues, election of CD officials, new employee orientation, and CD leadership for local watershed group activities.

Every year natural resource issues become more complex, and because of this CDs require more complex technical assistance. The 1997 Legislature authorized a legal and technical services program to provide districts with services needed to carry out their statutory responsibilities effectively. Two attorneys or law firms are now on retainer to provide legal services to districts on an as-needed basis. Four direct grants were also provided to CDs for legal services for project review and procedural advice, contract review, 310 advice and representation, and assistance

Figure 3. Montana's Conservation Districts



to four conservation districts that are developing a large, rural water project in eastern Montana.

The Resource Conservation Advisory Council, which consists of seven members serving at the pleasure of the governor, meets four times a year, provides advice and assistance on conservation matters, and sets guidelines for CDB's grant programs. Current members are:

Bob Breipohl	Saco	Representing North Central Montana
Robert Anderson	Poplar	Representing the General Public
Robert Fossum	Richland	Representing Eastern Montana
Marieanne Hanser	Billings	Representing South Central Montana
Vicki McGuire	Eureka	Representing Western Montana
Dave Schwarz	Terry	Representing Conservation Districts
Tom Stelling	Fort Shaw	Representing Conservation Districts

The Conservation Districts Bureau also works with the Montana Association of Conservation Districts (MACD) and the National Association of Conservation Districts to address natural resource concerns.

## Watershed Efforts and Projects

Through the capacity-building program, conservation districts have identified the need for watershed planning as a high priority goal. Conservation districts, as the local entity responsible for addressing nonpoint source (NPS) water pollution, play a key role in developing local watershed plans. CDB provides technical and financial assistance to conservation districts in support of watershed efforts. In addition, CDB participates on the Watershed Coordinating Council, a group of state and federal agencies and private organizations that coordinates programs in Montana that address aspects of watershed management.

### Watershed Planning and Assistance Grant Program

The purpose of the Watershed Planning and Assistance Grant (WPAG) Program is to assist conservation districts and affiliated local watershed groups with expenses associated with watershed planning. Funds can be used for the collection of baseline resource information, facilitators, development of a watershed management plan, training, educational efforts, and incidental costs associated with watershed planning.

A total of \$144,750 was available for grants in FY 2004. Applications were received from 15 districts for 18 projects. Six of the projects were for resource assessment; eight grants funded watershed groups, coordination, and/or coordinators; and four educational projects were funded. The resource areas included weeds, water quantity, and water quality. The size of these projects ranges from small watersheds to large basins. The projects funded are listed in Table 2.

**Table 2**  
**Watershed Planning and Assistance Grants Awarded in FY 2004**

Conservation District	Project	Amount
Beaverhead	Big Hole Watershed Outreach Coordinator	\$ 10,000
Cascade County	Sun River Coordination	10,000
Cascade County	Smith River Assessment	8,400
Custer County	Lower Yellowstone Socio-Economic Assessment	9,333
Custer County	Yellowstone River Council Educational Meeting	1,374
Fergus	Big Spring Creek Educational Program	2,950
Gallatin	Thompson Creek Assessment	5,775
Gallatin	Gallatin Watershed Group	10,000
Glacier County	Marias River Watershed Group	8,652
Granite	Upper Clark Fork Coordinator	10,000
Jefferson Valley	Noxious Weed Coordinator	10,000
Missoula	Lolo Creek Assessment	10,000
North Powell	Blackfoot Challenge	10,000
Park	Education Coordinator	10,000
Ruby Valley	Ruby Valley Watershed Group	4,466
Sheridan County	Muddy Creek Watershed Group	5,000
Sweet Grass County	Boulder River Watershed Association	10,000
Yellowstone	Canyon Creek Weed Assessment	8,800
<b>TOTAL</b>		<b>\$144,750</b>

The Marias River Watershed Group provides a good example of a large-scale WPAG in action. The group consists of seven conservation districts (Big Sandy, Chouteau County, Glacier County, Hill County, Liberty County, Pondera County, and Toole County), two Indian reservations (the Blackfeet and Rocky Boy's Reservations), local landowners, and state and federal agencies. The resource issues being addressed through local leadership are weeds, water quality and quantity, riparian health, and recreational concerns. WPAG provides operating funds that help the cooperating conservation districts implement projects related to the resource concerns identified in their work plans.

### **Stream Assessments**

CDs throughout Montana have conducted five large stream assessments in a collaborative effort with the U.S. Natural Resources Conservation Service (NRCS) and DNRC. The assessments include:

- Yellowstone River (13 CDs in the Yellowstone River Conservation District Council)
- Lower Wise River
- Lower O'Fallon Creek
- Prairie Elk Creek
- Rock Creek

The purpose of doing these stream assessments is to provide baseline resource information to conservation districts, watershed groups, and local landowners to further their knowledge about the priority streams in their areas and provide a basis for doing voluntary restoration projects, where appropriate.

### **Rolling Rivers Trailers**

CDB is collaborating with MACD in the Rolling Rivers Trailer Program by providing technical support. The Rolling River is a five-by-ten-foot utility trailer with a six-inch-deep bed that is filled with "sand" (actually, recycled plastic granules). A meandering river or two is scooped out, running from one end to the other. Small figures of buildings, animals, and machinery are placed on top. When water is turned on at the top of the watershed, it flows through the river and can be used to demonstrate a variety of water-related lessons, including stream health and good stewardship.

An additional trailer was purchased during FY 2004. Four trailers are currently operating in the state: (1) a demonstration trailer coordinated by CDB out of Helena, (2) a trailer in northwestern Montana sponsored by Lincoln CD, (3) a trailer in eastern Montana coordinated by Richland County CD in Sidney, and (4) a trailer based out of Pondera County CD in Conrad.

During FY 2004, the third season of trailer operation, CDB made 10 presentations to 759 people and conducted four "Train the Trainer" workshops on operating the trailer properly and making effective trailer presentations. CDs made 38 presentations to 3,702 people.

Development of training workshops and promotional/educational materials is continuing, which will increase the effectiveness of the trailers.

### **Rangeland Management Coordination**

The Rangeland Resource Program has four major areas of emphasis. They include:

- Working with county range committees, conservation districts, and producer groups to foster sound rangeland management
- Encouraging coordination and cooperation between private, state, and federal entities involved in range management
- Administering the Rangeland Improvement Loan Program
- Co-sponsoring the Governor's Range Tour, Winter Grazing Seminar, and Montana Youth Range Camp

The program receives guidance from the Rangeland Resource Executive Committee, which is composed of six ranchers geographically located across the state and appointed by the governor. Current members include:

Les Gilman, Chair Alder	John Hollenback, Vice-Chair Gold Creek	Bob Anderson Culbertson
Quinn Haughian Terry	Steve Hedstrom Raynesford	Michael Lane Three Forks

In addition, an ad hoc committee of agency and organization personnel serves in an advisory capacity to the executive committee.

CD staff work to strengthen local grazing management programs by helping sponsor workshops, tours, and demonstration projects. Examples of these activities include the Governor's Range Tour, the Montana Youth Range Camp, and the Winter Grazing Seminar. The 2003 Legislature cut funding for these activities; however, CDB obtained funding from the Montana Department of Agriculture's Growth through Agriculture Program.

A loan program was started in 1979 for the purpose of improving rangelands in Montana. To date, 231 applications have been received for loans totaling \$4,431,764. Currently, 52 loans totaling \$718,170 are in repayment status. A typical rangeland loan project involves drilling a well and installing underground water lines to supply stock tanks. These stock tanks are usually located in areas where water is insufficient or unsuitable for livestock. The projects are sometimes combined with cross fencing and an overall grazing plan to improve the rangeland. Over 960,000 acres of Montana rangeland have been improved using funds from this program.

### Grazing District Supervision and Assistance

State law provides for the creation of cooperative, nonprofit grazing districts and sets up a permitting system that aids in the management of grazing lands where ownership is intermingled, in order to conserve, protect, restore, and properly utilize grass, forage, and range resources. In its administration of the Montana Grass Conservation Act (grazing district law), the Montana Grass Conservation Commission, which is administratively attached to DNRC, advises, supervises, and coordinates the formation and operation of these grazing districts. Uniform plans that conform with recognized conservation practices are developed for the use of lands within the boundaries of the districts. The 27 state grazing districts represent 1,353 permittees and cover 10,501,070 acres of land.

The commission is composed of these five members, who are affiliated with local grazing districts.

Bill Loehding, Chair	Ekalaka
Gary Unruh, Vice-Chair	Chinook
Larry Brence	Baker
Phil Hill	Mosby
Dewayne Ozark	Glasgow

## **Stream Protection**

CDB provides administrative assistance, training, and legal opinions to conservation districts to help them administer the Natural Streambed and Land Preservation Act, commonly referred to as the “310 law.” Under this law, any private entity proposing a project that will alter or modify the bed or banks of a stream must obtain a permit.

Efforts undertaken in FY 2004 to improve the permitting process included distributing a project review guide for conservation district supervisors and others involved in permitting. CDB updated and distributed the Joint Application for Streams and Rivers in Montana, began drafting an update to *A Guide to Stream Permitting in Montana*, and began drafting a model rules package for CDs to adopt. Three 310 workshops for CD supervisors were conducted, and CDB participated in other educational events about stream-permitting requirements.

CDs processed 1,303 Natural Streambed and Land Preservation (310) Permit Applications in FY 2004, and CDB distributed \$100,000 to 46 CDs to help offset the cost of processing those permits. CDB has contracts with eight consulting firms to provide technical review of complex 310 applications. In FY 2004, 12 reviews were conducted.

## **Yellowstone River Conservation District Council**

CDB has been working with 13 CDs that have joined together to address natural resource concerns along the Yellowstone River. The council continues to work with the Montana Natural Resource Information System (NRIS) to make geographical information accessible on NRIS’s website. A geomorphic analysis was completed, and the results are available on the website; a fisheries analysis is not yet complete.

Of note for FY 2004, CDB assisted the CDs in reviewing contracts that were ultimately signed by the CDs and the U.S. Army Corps of Engineers (COE). These contracts signify the beginning of local participation in a comprehensive study of the Yellowstone River. COE will provide 75 percent of the cost of this study. The CDs’ interest is to ensure that (1) people who live and work along the Yellowstone have a say in the federal study, and (2) what comes out of the study is useful to CDs and other agencies.

In FY 2003, the council, in partnership with NRCS, submitted the nation’s first proposal under the new Partnership and Cooperation Program, under the new Farm Bill, to address resource concerns along the Yellowstone River. This proposal was still under review as of June 30, 2004.

## **Natural Resource Conservation Education Activities**

This program provides grant funding and policy guidance for resource conservation education programs. The bureau assists conservation districts in sponsoring adult education, elementary and secondary school activities, and several annual events: the Envirothon, Montana Youth Range Camp, and Natural Resources Youth Camp. The program goals are to promote discussion of resource issues and provide the knowledge and skills necessary to make decisions regarding the management, protection, and wise use of our natural resources.



CDB administered a grant authorized by the 2003 Legislature to conduct the 2004 Envirothon.

### Conservation Education Mini-Grant Program

Mini-grants of up to \$500 each are available to educators statewide, enabling teachers to develop environmental education projects around local resource issues. The grant program encourages classroom discussion of resource conservation and environmental issues in secondary and elementary schools, by providing financial support for teacher-initiated classroom projects. In FY 2004, the 17 mini-grants listed in Table 3 were funded for a total of \$8,564.

<b>Table 3</b> <b>Conservation Education Mini-Grants Awarded in FY 2004</b>		
<b>Conservation District</b>	<b>Project</b>	<b>Amount</b>
Bitterroot	Moose Signs Wildlife/Outdoor Class	\$ 500
Broadwater	Townsend School Recycling	500
Cascade County	Environmental Education Program	500
Dawson County	Weed Seminar	500
Dawson County	Yellowstone Global Positioning System Field Study	390
Flathead	Family Forestry Expo	500
Gallatin	"Hooked on Headwaters"	500
Gallatin	Outdoor Field Study	425
Gallatin	Yellowstone Field Study	330
Judith Basin	Rasmuson Science Center	500
Judith Basin	Ravenwood Natural Resource Science Centers	1,000 <sup>1</sup>
Lewis and Clark	Global Information System and Water Quality Project	500
Liberty County	Weed Education Materials	500
Park	Fly Fishing Camp	500
Pondera County	Outdoor Classroom	460
Teton	"Creeks and Critters" Outdoor Field Day	495
Wibaux	Lewis and Clark Environmental Education	464
<b>TOTAL</b>		<b>\$ 8,564</b>

1. \$1,000 grant allocated as follows: \$500 for Stanford School's 4<sup>th</sup> grade class; \$500 for Stanford School's 6<sup>th</sup> grade class

### Small Acreage Stewardship Education

CDB is working cooperatively with conservation districts and other local groups to implement a small acreage stewardship curriculum. The major benefits of this program are:

- Providing landowners with the tools to manage their property to meet their goals and address resource concerns
- Giving local resource agencies an opportunity to contact and develop working relationships with small acreage owners

CDB provided technical assistance for two realtor continuing education courses on weeds and water-related issues and a weed workshop for small acreage owners. Three educational modules for resource professionals were developed on weeds, septic system management, and drinking water and wells.

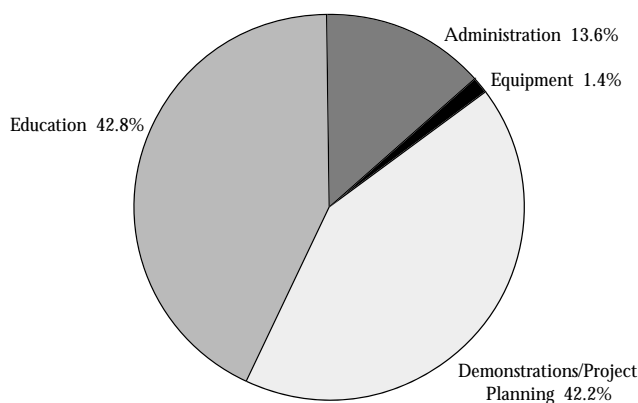
## Grant Programs

The bureau administers five grant programs. The Conservation Education Mini-Grants, the Watershed Planning and Assistance Grants, and the Legal and Technical Assistance Grants were discussed earlier in this chapter.

### Conservation District Project Grants

The Conservation District Project Grant Program was established in 1981 to provide funding for CDs' lawful duties and responsibilities. The program funds a variety of CD activities such as stream bank protection, erosion control, new conservation technology demonstrations, soil and water conservation projects, youth and adult educational activities, and conservation equipment rental programs. In FY 2004, \$323,764 was granted to CDs for various projects. All projects funded in FY 2004 are listed in Table 4, and the allocation of funds is shown in Figure 4.

**Figure 4**  
Allocation of Grant Funds for Conservation District  
Projects in Fiscal Year 2004



### Administrative Grants

In FY 2004, the bureau distributed \$225,000 from the General Fund and the Coal Tax Fund as grants to 36 CDs whose county mill levies are inadequate to support district operations. These grant funds are for administrative purposes only and are used for administrative salaries and general operating expenses. This fiscal year, CDs were able to match funds from this program with federal Farm Bill money to increase their ability to assist with implementing Farm Bill projects.

Information on the Coal Severance Tax and the Resource Indemnity Tax (RIT) is presented in Appendix A.

## Resource Conservation and Development Areas

In a cooperative effort with NRCS, the bureau has taken a lead role in assisting in activities of the NRCS partnership coordinator and the Central Montana RC&D Area. The partnership coordinator is currently helping develop key issues and providing direct assistance to the RC&Ds in Montana (see Figure 5).

The Central Montana RC&D was involved in the following activities.

- Sponsored seven First Time HomeBuyer classes attended by more than 50 potential homebuyers in central Montana for the Montana Housing Network, U.S. Department of Agriculture's Rural Development Program, and the Lewistown Home Program
- Served as ad hoc advisor to and board member of the Montana Home Ownership Network, a partnership of Montana nonprofit and private corporations, government agencies, and residents, whose goal is to increase home ownership among low-income families
- Attended Lower Musselshell Work Group meetings, the goal of which is to match resource needs to Farm Bill funding
- Provided public information coordination to the new Bull Mountain Coal Mine #1 and the proposed Coal-Fired Power Plant Project

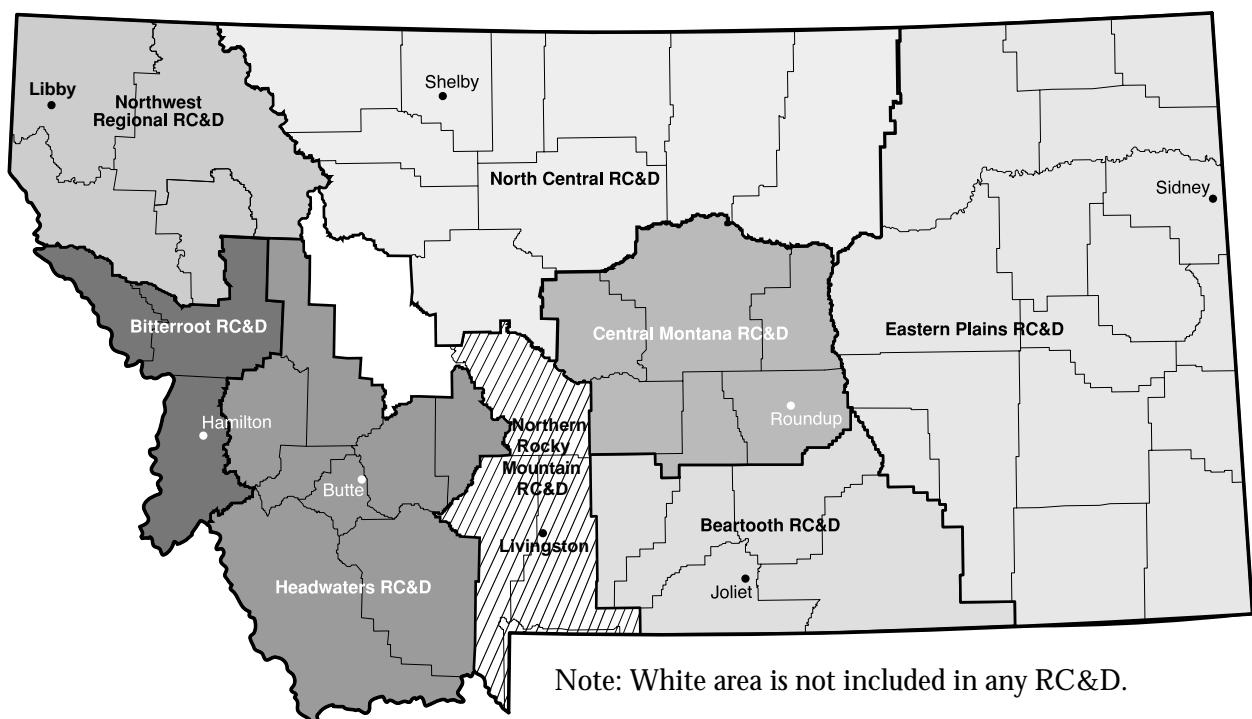
**Table 4**  
**Conservation District Project Grants Awarded in FY 2004**

Conservation District	Project	Amount
Beaverhead	Wise River Irrigation Demonstration	\$7,800
Big Horn	2004 Soil and Water Conservation Society Conference	3,475
Broadwater	Weed Education	5,000
Carbon	2004 Winter Grazing Seminar	4,350
Cascade County	Missouri River Council Promotion	6,550
Daniels County	Shelterbelt Mesh Layer Purchase	3,800
Daniels County	Dry Prairie Rural Water Authority Administration	2,900
Deer Lodge Valley	Capacity Building Grant Match	10,000
Eastern Sanders County	Lower Clark Fork Water Monitor	1,338
Fergus	Technical Assistance Grant Match	10,000
Flathead	Clark Fork Basin Task Force	7,000
Gallatin	2005 Noxious Weed Calendar	7,875
Gallatin	Horse Owner Education	5,000
Gallatin	Smithsonian Soils Exhibit	3,500
Gallatin	Thompson Creek Watershed Restoration	5,000
Granite	T-Ranch Diversion Project	5,000
Green Mountain	2004 Water Festival	1,830
Hill County	Beaver Creek Park Weed Project	8,710
Judith Basin	Ravenwood Natural Resource Science Centers	840
Lewis and Clark	Weed Control for Private Land	5,000
Lewis and Clark	Willow Creek Erosion Project	7,500
Liberty County	Administrator Training	2,000
Lincoln	Weed Spray Project	2,100
Madison	Range and Pasture Management Program	6,800
Madison	"Elk, Wolves, and Cattle" Video	3,178
Madison	Madison Valley Ranchland Group Weed Committee Internship	5,000
Madison	Grazing Coordination Project	8,000
McCone	Sullivan Community Park	4,800
North Powell	Capacity Building Grant Match	8,000
Park	Yellowstone River Conference	5,000
Park	Kinkie Stream Improvement	8,000
Park	Anglers Against Weeds	10,000
Park	Big Ditch Irrigation Structure	11,500
Park	CD Leadership Program	27,720
Park	Rangeland Project	8,800
Petroleum County	Water Measurement and Conservation Project	8,185
Phillips	Display Panel Purchase	300
Phillips	2004 Montana Range Days	3,000
Pondera County	"Cattle and Fish for Profits" Seminar	870
Pondera County	Outdoor Classroom	10,000
Pondera County	Surface Water and Groundwater Salinity Assessment	2,200
Pondera County	Pondera Coulee Assessment	7,100
Prairie County	Coalbed Methane Landowner Assistance	7,050
Prairie County	Coalbed Methane Humic Substances Study	10,000
Richland County	Irrigation Moisture Monitoring	9,250
Roosevelt County	Fort Peck Irrigation Assessment – Phase II	9,600
Stillwater	Horse Creek Data Collection	10,000
Toole County	Marias River Bank Stabilization Demonstration	4,200
Various CDs	Administrative Grants	3,200
Various CDs	Education Mini-Grants	8,564
Various CDs	CD Supervisor Travel	6,879
<b>TOTAL</b>		<b>\$ 323,764</b>

- Conducted a housing needs survey in Musselshell County
- Began organization of a regional housing needs survey for towns in central Montana with populations of fewer than 1,000 citizens
- Participated in the Western States Wildland Urban Interface Project
- Served as a board member of the National Carbon Offset Coalition
- Served as an advisor to the Central Montana Education Outreach Center Project
- Served as an advisor and provided coordination to the \$1.1 million Video Network Coordination Project of the Eastern Montana Education Telecommunications Consortium (composed of 17 schools); the interactive educational video project is now complete
- Provided grant-writing and administrative services to numerous agencies and jurisdictions for various emergency services, public infrastructure, tourism, and recreation projects
- Provided coordination for drilling the \$300,000 deep test well for the Musselshell Valley Regional Municipal Water Project, which will serve 8 to 10 communities in central Montana
- Established a Memorandum of Understanding with Snowy Mountain Development Corporation for economic development services and related joint efforts
- Provided articles and advice for the quarterly newsletter, which is sent to RC&D sponsors

The bureau also administers a \$50,000 appropriation for the Community Project Startup Grant Program, which is delivered through the Eastern Plains RC&D. The six existing grants received just over \$2,000 in FY 2004.

**Figure 5**  
**Resource Conservation and Development Areas in Montana**



## Salinity Control

The Montana Salinity Control Association (MSCA) is a satellite program for conservation districts established to reclaim and prevent saline seeps and other agriculturally-caused water quality problems, on an individual farm and/or watershed basis. MSCA originated in 1979 in 9 counties and now serves 34. MSCA is partially funded from mineral taxes administered by CARDD and received \$225,000 in FY 2004. Additional funding is generated through landowner and user fees for projects. Outside funding has been derived since 1983.

Conservative estimates indicate that over 300,000 acres in Montana are affected by salinity problems. MSCA has developed individual reclamation plans for 957 sites with 120,558 planned acres to address 15,617 salinized acres that were no longer productive. Nine salinity-based watershed projects ranging in size from 4,000 acres to over 625,000 acres are in progress or have been completed. Significant planning has been done and will continue in these watershed projects. With the preliminary work completed on all nine watersheds, additional projects can be incorporated to complement the overall benefits. Each watershed project has a local advisory group that contributes funds and provides coordination between landowners and technical agencies. CDB is involved in the organization of the individual and watershed projects through local conservation districts.

MSCA coordinates with state and federal agencies to utilize and adapt their technical assistance and funding programs to address nonpoint source pollution and other resource concerns. New federal programs are accessed to assist individual producers in implementing the technical assistance MSCA provides to achieve saline reclamation. In addition, MSCA has a strong relationship with Canadian provincial salinity specialists to share information through the Prairie Salinity Network. Similar cooperation has been established over the years through Australian research and landowner groups. MSCA has been invited to participate in an International Salinity Workshop in 2005.

## Financial Development Bureau

The Financial Development Bureau is responsible for preparing and managing the cash flow of the division's programs. The bureau also issues loans to borrowers and manages the financial administration of Montana's Water Pollution Control State Revolving Fund (WPCSRF) and Drinking Water State Revolving Fund (DWSRF) Loan Programs. The functions of the bureau include:

- Issuing general obligation bonds
- Issuing coal tax bonds
- Monitoring the operating budget of the division
- Preparing cash flows
  - Water Pollution Control Program
  - Drinking Water Program
  - Reclamation and Development Grants Program
  - Renewable Resource Grant and Loan Program
- Monitoring financial statements of public borrowers
- Monitoring arbitrage calculations for all DNRC bonds
- Administering loans made to public entities

With the passage of the WPCSRF and DWSRF legislation, the volume of work dictated the formation of the Financial Development Bureau. The loan portfolios alone have grown to over \$281 million (see Table 5).

<b>Table 5 Loan Portfolios</b>	
<b>Type of Loan</b>	<b>Amount</b>
Coal Tax Loans	\$ 50,916,000
Water Pollution Control Loans	172,100,000
Drinking Water Loans	58,705,000
<b>TOTAL</b>	<b>\$281,721,000</b>

The disbursements to grantees can be as much as \$5 million per year. Approximately 750 to 1,000 contracts are outstanding at any one time. The financial expenditures on each contract are tracked separately. Cash flows are produced on a monthly basis. For the revolving fund programs, investments must be made for repayment funds in the program.

Bond sales are planned to meet the construction schedules of the borrowers. On the average, \$5 million to \$10 million in bonds are issued each year. In FY 2004, over \$7 million in bonds were issued. Loan disbursements were over \$36 million in FY 2004.

### **State Water Pollution Control Revolving Fund Loans**

The Water Pollution Control SRF was created by the 1989 Legislature. It is designed to combine federal grant money with state matching money to create a low-interest loan program that funds community wastewater treatment projects. DNRC and the Montana Department of Environmental Quality (DEQ) co-administer the SRF program. The U.S. Environmental Protection Agency (EPA) makes a grant of federal funds to the state. The state must match 20 percent of that grant. The state's share is derived from the sale of state general obligation bonds. Loans are made by DNRC to public entities. From 1991 to 2003, the interest rate was 4 percent for up to 20 years. In FY 2004 the interest rate dropped to 3.75 percent.

Since the program started, the State of Montana has issued \$22.4 million in general obligation bonds, and EPA has contributed \$109 million in grants. These state bonds and federal grants, together with \$40.7 million in "recycled" (repaid) loan funds, account for the \$172 million program level. Eleven loans totaling \$28.2 million were closed in the 2004 construction season. See Table 6 for a listing of current loans. Program staff expect to make loans of \$15 million in FY 2005.

The Town of Hardin borrowed \$2 million to rehabilitate its wastewater treatment facility. The 20-year loan has an interest rate of 3.75 percent. Many communities are facing this same problem; their treatment plants are 30 years old and need rehabilitation.

Also in FY 2004, the Town of Virginia City borrowed \$500,000 to make wastewater system improvements. This community demonstrated a hardship and received a 2.75 percent interest rate. The loan term is 20 years.

The 1997 Legislature authorized this program to start financing landfills for small communities effective July 1, 1997. The first landfill loan was made to the Northern Montana Refuse District in FY 2003. No landfill loans were completed in FY 2004, but more are expected to close in FY 2005.

### **Drinking Water State Revolving Fund Loans**

This program provides funds for training, technical assistance, and the issuance of low interest loans to local governmental entities to finance drinking water facilities and implement the Safe Drinking Water Act. State enabling legislation was passed in 1995 and amended in 1997, after the U.S. Congress passed federal enabling legislation in August 1996. DNRC and DEQ co-administer the Drinking Water Program. The two agencies first applied for federal funds in January 1998.

The state has issued \$10.3 million in general obligation bonds, EPA has obligated \$37 million, and \$11.4 million in "recycled" (repaid) loan funds have been used to fund loans for a program level of \$58.7 million. Eight loans totaling over \$2.4 million were closed in the 2004 construction season. See Table 7 for a listing of current loans. Program staff expect to make loans of \$10 million in FY 2005.

Of the eight loans closed, one was to the City of Three Forks. The project loan was for \$336,000 at 3.75 percent interest. These funds will be used for work on the city's wells.

The Town of Sheridan borrowed \$265,200 to install new distribution lines. Because Sheridan met the program hardship criteria, the loan interest rate was 2.75 percent for 20 years.

These projects continue to improve the communities that participate in the loan programs. The loan interest rate also helps to make the projects affordable. In the past, no loans were made over the 4 percent interest rate. In FY 2004, no loans were made for more than 3.75 percent interest.

**Table 6**  
**Wastewater Revolving Fund Loans**

<b>Loans Completed</b>	<b>Amount</b>	<b>Loans Completed</b>	<b>Amount</b>
Augusta	\$ 506,000	Glendive	\$ 376,000
Belgrade	1,058,000	Great Falls	12,100,000
Belgrade	1,940,000	Great Falls	4,400,000
Belgrade	1,512,000	Hardin	2,050,000
Big Sky	5,513,000	Harlowton	777,073
Big Sky	7,000,000	Harrison Water and Sewer District	319,472
Big Sky	417,000	Havre	2,160,770
Big Sky	6,500,000	Helena	9,320,000
Big Timber	384,719	Helena School District (formerly Kessler School)	185,283
Bigfork	1,000,000	Hot Springs	158,442
Billings Special Improvement District	516,000	Kalispell	3,913,000
Butte-Silver Bow	5,307,390	Kevin	47,000
Cascade	201,609	Kevin	45,000
Cascade	1,217,987	Lavina	121,000
Choteau	500,000	Lincoln/Lewis and Clark Sewer District	308,914
Choteau	530,000	Manhattan	636,000
Choteau Refinance	109,212	Manhattan	220,000
Colstrip	300,000	Missoula	
Colstrip	503,000	39 <sup>th</sup> Street	1,395,000
Columbia Falls	2,509,405	California Street	502,000
Columbus	1,539,627	Mullan Road	1,820,000
Conrad	710,510	NW Broadway	943,000
Conrad Refinance	233,000	Pineview SID	658,000
Corvallis	235,155	Rattlesnake	304,000
Corvallis	351,000	Reserve Street	2,221,000
Cut Bank	531,000	Reserve Street Interceptor	459,162
Cut Bank	800,000	Reserve Street Pineview	718,000
Darby	111,000	Reserve Street Special Improvement District	2,671,000
Denton	55,000	Special Improvement District #520	2,634,000
Denton	139,130	Storm and Sewer	4,577,000
Dillon	1,992,914	Wapikiya/Bellevue Add-On	324,000
Drummond	52,920	Wapikiya/Bellevue Clarifier	2,465,000
East Helena	91,000	Wapikiya/Bellevue Clarifier	1,177,000
East Helena	1,983,000	Wastewater Treatment Plant A	5,000,000
East Helena	1,494,000	Wastewater Treatment Plant B	3,800,000
Flathead County		Wastewater Treatment Plant C	3,023,000
Bigfork	424,000	Missoula County	
Evergreen	3,600,000	Linda Vista	241,000
Evergreen	700,000	Linda Vista	1,943,000
Forsyth	1,302,534	Lolo	649,936
Fort Benton	1,177,000	Mullan Road Special Improvement District	4,729,000
Gallatin County Hebgen	4,136,000	Nashua	193,769
Geraldine	113,000	Northern Montana Refuse District	1,035,315
Glasgow	402,000	Park City County Water and Sewer District	692,000
Glasgow	1,048,000	Park County	378,000
Glasgow	778,470	Park County	83,000
Glasgow	251,740	Red Lodge	390,000
Glendive	236,000	Red Lodge	3,876,731

Continued on page 33



**Table 6**  
**Wastewater Revolving Fund Loans (continued from page 32)**

Loans Completed	Amount	Loans Completed	Amount
Resource Development Bureau		Sweet Grass	\$ 150,000
Nonpoint Source 1	\$1,500,000	Sweet Grass	80,000
Nonpoint Source 2	1,750,000	Townsend	1,071,000
Nonpoint Source 3	2,000,000	Troy	1,817,281
Nonpoint Source 4	2,225,000	Valier	200,000
Nonpoint Source 5	2,100,000	Valier	19,008
Nonpoint Source 6	2,500,000	Vaughn – Cascade Water and Sewer District	248,128
Nonpoint Source 7	1,300,000	Victor	300,000
River Rock Water and Sewer District	3,100,000	Virginia City	500,000
Ronan	619,905	Virginia City	366,000
Saint Marie (Glasgow)	150,000	Whitefish	200,000
Shelby	481,000	Whitewater Water and Sewer District	120,000
Shelby Refinance	453,000	Wolf Point	453,000
Superior	82,000	Warden – Ballantine Water and Sewer District	260,000
		<b>TOTAL</b>	<b>\$172,099,511</b>

**Table 7**  
**Drinking Water Revolving Fund Loans**

Loans Completed	Amount	Loans Completed	Amount
Big Sky	\$ 534,000	Hamilton	\$ 500,000
Big Sky	1,966,000	Havre	600,000
Billings	818,000	Havre	8,401,000
Boulder	1,294,000	Helena	1,250,000
Broadview	203,000	Highwood <sup>1</sup>	75,000
Brockton	44,998	Kalispell	761,000
Cascade	129,998	LaCasa Grande <sup>1</sup>	150,000
Choteau	332,000	LaCasa Grande <sup>1</sup>	500,000
Colstrip	563,000	Lakeside	400,000
Colstrip	829,000	Laurel	5,250,000
Columbia Falls	907,000	Laurel	2,541,000
Conrad	650,000	Lockwood <sup>1</sup>	1,700,000
Conrad	1,543,172	Missoula County Fairgrounds	206,194
Cut Bank	283,000	Missoula County Sunset West	291,000
Cut Bank	576,000	Philipsburg	238,322
East Helena	228,000	Phillips County-Green Meadows <sup>1</sup>	100,000
East Helena	3,234,000	Phillips County-Green Meadows <sup>1</sup>	65,000
Elk Meadows	200,000	Plentywood	577,000
Ennis	59,701	Power-Teton County <sup>1</sup>	400,000
Eureka	619,000	River Rock <sup>1</sup>	2,100,000
Fort Peck <sup>1</sup>	1,520,000	Seeley Lake	1,340,000
Gardiner-Park County	161,504	Shelby	866,000
Gardiner-Park County	330,000	Shelby	677,000
Gardiner-Park County	267,000	Sheridan	265,200
Geraldine	129,000	Three Forks	336,000
Glendive	1,565,000	Twin Bridges	286,515
Great Falls	3,000,000	Virginia City	66,000
Hamilton	220,000	Whitefish	400,000
Hamilton	318,000	Whitefish	5,839,000
		<b>TOTAL</b>	<b>\$ 58,705,604</b>

1. Water and Sewer District

## Resource Development Bureau

The Resource Development Bureau (RDB) administers several grant and loan programs and provides assistance to conservation districts for the administration of water reservations and to assist landowners to develop new irrigation. The programs include:

- Reclamation and Development Grants Program
- Renewable Resource Grant and Loan Program
  - o Public Grants
  - o Project Planning Grants
  - o Emergency Grants
  - o Private Grants
  - o Private Loans
  - o Public Loans
- Treasure State Endowment Loan Program
- Conservation District Water Reservations
- Irrigation Development Program
- Regional Water Coordination

FY 2004 was a successful year for these programs. Over \$7 million in grant and loan funds was disbursed for projects throughout the state, and 587 contracts were being actively administered.

### Reclamation and Development Grants Program

The Reclamation and Development Grants Program (RDGP) is a grant program designed to fund projects that “indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana” (MCA 90-2-1102). The program was established in 1987. Any department, agency, board, commission, or other division of state government or any city, town, county, or other political subdivision or tribal government within the state may apply for a RDGP grant. Grants of up to \$300,000 are available per application. The funding for this program comes from interest income from the RIT Trust fund and mineral taxes. In FY 2004, the bureau administered 29 reclamation and development grants, and \$1,637,938 was disbursed.

The 2003 Legislature authorized 11 projects for funding, as shown in Table 8. Nine of these projects were contracted in FY 2004, and CARDD anticipates that the two remaining projects will be contracted during summer 2004.

Five of these awards totaling over \$900,000 focus on mitigating the impacts of oil and gas development. Two grants to DEQ will aid cleanup of the Washington and Drumlummon hardrock mines. The remaining four allocations are targeted at public water supply and protection (Sunburst), hazardous waste removal (Powell County), mitigating effects caused by greenhouse gases (Governor’s Office), and groundwater monitoring (Big Horn CD). Figure 6 illustrates how funds were allocated to projects approved by the 2003 Legislature.

The Montana Board of Oil and Gas Conservation continues reclamation of oil and gas wells in Toole, Glacier, Pondera, and Teton Counties with funds from the Northern District Orphaned Well Plugging, Abandonment, and Site Restoration

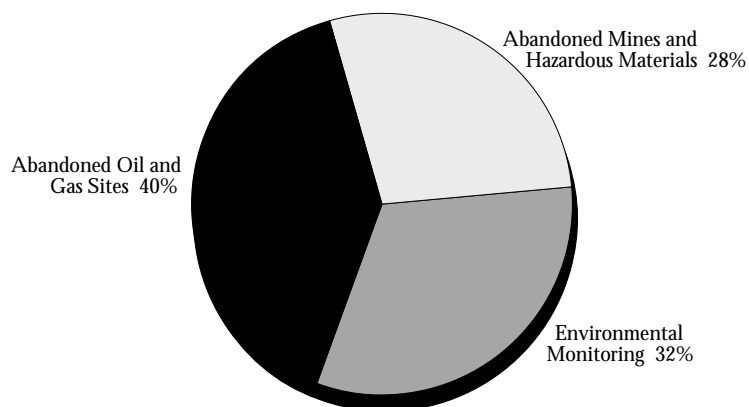
**Table 8**  
**Reclamation and Development Grants Approved by the 2003 Legislature**  
**(in Order of Their Ranking)**

Project Sponsor	Project Name	Approved Funding
Big Horn Conservation District	Groundwater Monitoring – Tongue and Powder River Watersheds	\$300,000
Sunburst, Town of	Sunburst Water Supply Renovation	185,249
Montana Governor's Office	Growing Carbon	300,000
Montana Board of Oil and Gas Conservation	Oil and Gas Plug and Abandonment	200,000
Toole County	2003 Plug and Abandonment	240,000
Montana Board of Oil and Gas Conservation	2003 Northern District Plug and Abandonment	300,000
Montana Board of Oil and Gas Conservation	2003 Southern District Plug and Abandonment	100,000
Montana Department of Environmental Quality	Washington Mine and Millsite Reclamation	300,000
Powell County	CMC Roundhouse Site Cleanup	76,400
Montana Department of Environmental Quality	Drumlummon Tailings, Goldsil Mine Waste Reclamation	300,000
Sheridan County Conservation District	Reclaiming Oilfield Brine Contaminated Soils	150,000
SUBTOTAL		\$2,451,649
Funding of projects below this point will depend on the availability of revenue.		
Montana Department of Natural Resources and Conservation	Planning Grants	50,000
Fergus Conservation District	Central Montana Aquifer Project	150,000
Judith Basin Conservation District	Judith Basin Aquifer Restoration and Conservation	70,000
TOTAL		\$2,721,649

grant. This oil well plugging effort is part of a statewide prioritization and reclamation of orphaned wells at sites where there is no responsible party. RDGP funds are critical in sustaining this work for the foreseeable future.

In May of 2004, RDGP received 21 grant applications requesting \$5.5 million. CARD D will continue evaluating those applications in FY 2005 and prepare recommendations for the 2005 Legislature.

**Figure 6**  
**Allocation of Funds for**  
**Reclamation and Development Grant Projects**  
**Approved by the 2003 Legislature**



## Renewable Resource Grant and Loan Program

The Montana Legislature established what is now called the Renewable Resource Grant and Loan Program (RRGLP) in 1993 by combining the Water Development Program and the Renewable Resource Development Program. RRGLP was established to promote the development of renewable natural resources. Funding from the RIT interest and the mineral tax is available to research, plan, design, construct, or rehabilitate projects that conserve, develop, manage, and/or preserve Montana's renewable resources. RRGLP funds a variety of natural resource projects including groundwater studies, irrigation rehabilitation, water and soil conservation, municipal drinking water improvements, public wastewater, and forest enhancement.

Over \$4 million is available over the biennium for grants to public entities for renewable resource projects. An additional \$300,000 is available for grants to assist public entities in the planning and design of projects eligible for funding under RRGLP, and \$100,000 is available for private grants. The loan program is funded through the issuance of general obligation and coal severance tax bonds. These private loans are primarily for irrigation projects.

### Public Grants

Up to \$100,000 is available per grant application. The total cost of a project usually includes funds from other sources, in addition to RRGLP grants and loans. In FY 2004, the bureau administered 154 renewable resource grants, and \$1,285,471 was disbursed.

**Figure 7**  
Allocation of Funds for  
Renewable Resource Development Public Grant Projects  
Approved by the 2003 Legislature

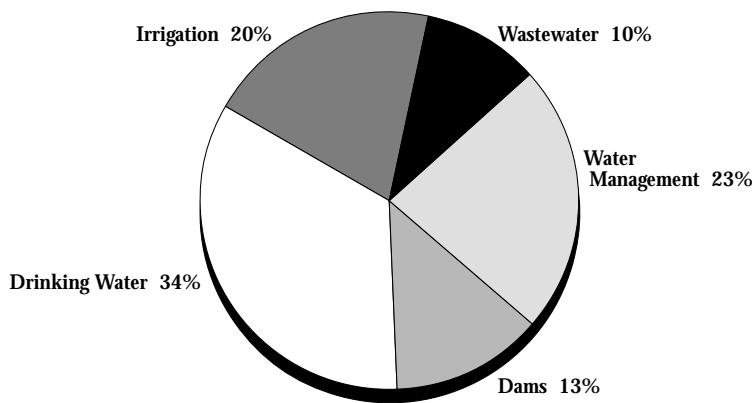


Table 9 lists RRGLP projects in the order in which they were approved and ranked by the 58th Montana Legislature in 2003, and the allocation of funds is shown in Figure 7. These grants started receiving funds in FY 2004, and approximately half of the grants have been contracted. It is anticipated that the remaining projects will be contracted in FY 2005.

An example of a renewable resource public grant project is the restoration of the Ashley Creek headwaters above Smith Lake. The Ashley Creek watershed area is about 20 miles west of Kalispell, Montana. The Ashley Creek Restoration Project is a locally led stream restoration effort that is being implemented under a comprehensive, three-phased program designed to address major natural resource conservation needs of the watershed.

Various stream restoration techniques will be used to achieve the goals of improving water quality, reducing stream bank erosion and soil loss, and enhancing the Westslope cutthroat trout fishery. Restoration activities will include (1) revegetating riparian zones, (2) fencing riparian areas, (3) implementing grazing management plans, (4) making channel improvements, (5) installing water gaps, (6) reinforcing critical fish barriers for the cutthroat trout, (7) anchoring brush bundles, (8) stabilizing stream banks, and (9) regenerating aspens. Project monitoring and oversight will be provided, and a feasibility report on potential road relocations and construction will be produced.

**Table 9**  
**Renewable Resource Grant and Loan Program Projects Approved by the 2003 Legislature**  
**(in Order of Their Ranking)**

<b>Project Sponsor</b>	<b>Project Name</b>	<b>Grant Funding</b>	<b>Loan Funding</b>
Scobey, City of	Wastewater System Improvements	\$ 100,000	-
Dawson County	Yellowstone River Floodplain Management	75,000	-
Flathead Basin Commission	Ashley Creek Headwater Restoration	99,700	-
Missoula, City of	Rattlesnake Neighborhood Sewer Collection System	100,000	-
North Powell Conservation District	Blackfoot River Habitat, Water Quality and Restoration	62,600	-
Montana Department of Agriculture	Monitoring Well Network for the Assessment of Ag Chemicals	100,000	-
Paradise Valley Irrigation District	Hillside Lateral	100,000	-
Ramsay County Water and Sewer District	Water System Improvements	100,000	-
Missoula County	Mullen Road Corridor Sewer Project – Phase I	100,000	-
Park County	North Park County Water Resources Protection Plan	75,000	-
Sheaver's Creek Water and Sewer District	Water System Improvements	100,000	-
Stanford, Town of	Water System Improvements	100,000	-
Hamilton, City of	Water Distribution Improvements	100,000	-
Park County-Cooke City Water District	Water System Improvements	100,000	-
Milk River Joint Board of Control	St. Mary Siphon Expansion Joint Replacement	100,000	-
Buffalo Rapids Irrigation District	Refit of Glendive Pumping Plant	100,000	1,315,000
Mill Creek Irrigation District	Mill Lake Dam Rehabilitation	100,000	572,000
Montana Department of Natural Resources and Conservation	Seepage Monitoring Project – DNRC Dams	97,646	-
Sidney Water Users Irrigation District	Increasing Irrigation Efficiency	100,000	-
Stillwater County	Yellowstone River Floodplain Management	75,000	-
Yellowstone County	Yellowstone River Floodplain Management	75,000	-
Worden Ballantine Yellowstone County Water and Sewer District	Water Distribution System Improvements	100,000	-
Ryegate, Town of	Water System Improvements	100,000	-
Malta Irrigation District	Replacement and Modification of Check Structures	100,000	-
Judith Basin County	Geyser Water System Improvements	100,000	-
Sheridan, Town of	Water System Improvements	100,000	-
Pablo-Lake County Water and Sewer District	Wastewater Treatment System Improvements	100,000	-
Fort Belknap Irrigation District	Sugar Factory Lateral Project	100,000	-
Montana Department of Natural Resources and Conservation	North Fork of the Smith River Dam Rehabilitation	100,000	557,000
Conrad, City of	Raw Water Intake and Pump Station Improvements	100,000	-
Lewis and Clark County Water Quality Protection District	Groundwater Sustainability in North Hills Area, Helena	50,000	-
Power-Teton County Water and Sewer District	Water System Improvements	100,000	-
Phillips County Green Meadows Water and Sewer District	Water System Improvements	100,000	-
Chinook Division Irrigation Joint Board of Control	Fresno Dam – Gate Leaf Seals	100,000	-
Upper/Lower River Road Water and Sewer District	Water System Improvements	100,000	-
Gallatin Local Water Quality District	Dedicated Monitoring Well Network for the Gallatin Valley	50,000	-
Troy, City of	Water System Improvements	100,000	-
Montana Department of Corrections	Rehabilitation of Prison Ranch Dam	80,000	-
Fort Shaw Irrigation District	Water Quality and Quantity Improvement – Phase III	89,122	-
Richland County Conservation District	Irrigation Potential of Groundwater	50,000	-
Hill County	Beaver Creek Dam Outlet Works Repair	-	500,000
<b>Funding of projects below this point will depend on the availability of revenue.</b>			
Pablo-Lake County Water and Sewer District	Water Distribution Improvements	100,000	-
Cut Bank, City of	Water System Improvement	100,000	-
Pleasant View Homesites County Water and Sewer District	Water System Improvements	100,000	-
Gardiner-Park County Water District	Water System Improvements	100,000	-
<b>TOTALS</b>		<b>\$4,079,068</b>	<b>\$2,944,000</b>

The Ashley Creek Restoration Project is sponsored by the Flathead Basin Commission (FBC). This project was contracted with DNRC in FY 2004. FBC is using vendors to complete the majority of this project. The project manager will be working with the Ashley Creek Watershed Group Oversight Committee and the FBC Executive Committee for project decision making. Project completion is planned for winter 2006.

In May of 2004, RRGLP received 63 grant applications requesting \$6 million. CARDD will continue evaluating those applications in FY 2005 and prepare recommendations for the 2005 Legislature.

### **Project Planning Grants**

Project planning grants provide up to \$10,000 on a 50 percent cost share to governmental entities for the completion of preliminary engineering, design, and feasibility analysis. Applications must explain how the project would contribute to the conservation, management, development, or preservation of renewable resources in Montana. The grants are given on an "open-cycle" basis. In FY 2004, 10 grants were contracted in the total amount of \$100,000. Forty-two planning grant contracts from previous years were also monitored.

### **Emergency Grants**

The 2003 Legislature included \$150,932 in its House Bill 6 appropriation for emergency grants for the 2005 biennium. DNRC may qualify a project as an emergency if it is one that, if delayed until legislative approval can be obtained, will cause substantial damage or legal liability to the entity seeking assistance. The emergency is typically associated with an unanticipated system failure and is not the result of normally expected use and deterioration. Emergencies do not include studies or planning efforts. Examples of emergencies include dam failures, the failure of irrigation structures during irrigation season, and failed wastewater pumping stations. All other reasonable sources of funding must be identified and exhausted before emergency funding is recommended.

In FY 2004, only one project was classified by DNRC as an emergency and funded accordingly. The Ingomar Water District has experienced drought-induced water shortages and has been hauling water from Forsyth during the summer months for several years. Rosebud County provided the community with a new well, and the district received a \$28,000 emergency grant to complete the well and install a small-diameter water line and electrical power to the well site. A loan from the Montana Board of Investments completed the \$60,000 project budget.

### **Private Grants**

Financial assistance is available to any individual, association, partnership, or corporation (both for-profit and nonprofit). The legislature allocated \$100,000 per biennium for private grants. By law, grant funding for a single project may not exceed 25 percent of the total estimated cost.

Most of the funds are targeted to assist small, privately owned water systems. Owners of small systems have difficulty in meeting Safe Drinking Water Act regulations, but must meet the same requirements that municipal water systems face. The department has identified 99 private water systems for potential funding. The average size of a grant is \$2,538; the grant must be matched on a 3-to-1 basis. DNRC awarded 14 grants totaling \$28,623 in FY 2004.

## Private Loans

Loans for private water development projects are available from the department. Loans to individual private entities may not exceed the lesser of \$200,000 or 80 percent of the fair market value of the security given for the project. Private loans to individuals must be secured with real property. Loans up to \$300,000 are available for such organizations as water user associations and ditch companies. These loans are scored by the revenue produced by the system. Irrigation system improvements — for example, the conversion from flood irrigation to sprinkler irrigation — are the most common type of projects funded through private loans.

To finance loans, the law provided authority to issue general obligation renewable resource bonds up to a total outstanding balance of \$30 million. The current outstanding balance on the loans is \$15.2 million. In FY 2004, 332 loans were being administered.

In FY 2004, the private loan program sold \$1.3 million in taxable general obligation bonds. The interest rate on these bonds is 5.5 percent, which is 2 to 3 percent below traditional market rates for these bonds. Adding a 0.3 percent charge for a loan loss reserve, DNRC is able to offer potential borrowers a very low interest rate for irrigation improvement projects. All loans must qualify as “nonpoint pollution control projects.” Because the program primarily funds irrigation improvement projects, all of the new loan requests have qualified for these low interest funds.

## Public Loans

This program makes loans to governmental entities for renewable resource projects. The program was started in 1981 by the Montana Legislature, which granted \$250 million in coal tax bonding authority. In FY 2004, 72 public loans with a balance of approximately \$50.9 million were outstanding. The public loans are listed in Table 10. The legislature has approved \$12 million in loans for which funds have not yet been drawn.

The Renewable Resource Public Loan Program has been evolving into a new role over the last decade. Prior to 1990, the public loan program was one of the few low-cost sources of public loan funds available to municipalities. Many of the early loans in the public loan program were for municipal water and wastewater projects. However, since the creation of the Water Pollution Control and Drinking Water State Revolving Fund (SRF) Loan Programs, municipalities are borrowing funds at 3.75 percent from the SRF programs. This has freed capacity in the public loan program for other types of projects. In fact, there has been a steady increase in the number of irrigation loans that the program has funded, which reflects the need for repair of aging ditches, diversions, and other irrigation infrastructure, as well as the lack of any federal assistance for these projects. The public loan program also provides a safety net for municipal projects, such as solid waste projects, that may not qualify for SRF funding.

## Treasure State Endowment Program Loans

The Treasure State Endowment Program (TSEP) is administered by the Montana Department of Commerce. However, if a loan is recommended by the Department of Commerce and authorized by the legislature, DNRC is responsible for closing and administering the loan. This relationship was developed because of the loan expertise and financial management system that DNRC has developed over the last 16 years in administering the Renewable Resource Grant and Loan Program.

**Table 10**  
**Public Loans**

<b>Applicant</b>	<b>Balance Due</b>	<b>Applicant</b>	<b>Balance Due</b>
Anaconda - Deer Lodge County	\$ 69,063	Hysham	\$ 151,956
Antelope County Water and Sewer District	53,351	Kevin	37,690
Beaverhead County/ Red Rock Water and Sewer District	1,753,115	Lockwood Irrigation District	64,026
Belgrade	75,770	Malta	2,222,456
Bitterroot Irrigation District	600,393	Miles City	685,393
Bozeman	176,337	Mill Creek Water and Sewer District	570,979
Bozeman	275,962	Neihart	106,615
Broadwater Power Project	19,480,000	Park County	38,796
Buffalo Rapids Irrigation District	855,000	Pondera County Canal and Reservoir Company	223,136
Charlo Water District	4,312	Pondera County Canal and Reservoir Company	177,509
Conrad	15,554	Poplar	63,848
Culbertson	54,475	Sage Creek Water District	423,984
Culbertson	9,153	Sanders County Water District at Noxon	66,311
Cut Bank - North Glacier Water and Sewer District	39,836	Shelby	27,291
Daly Ditches Irrigation District	334,158	State Water Projects Bureau, DNRC	
Denton	55,223	Bair Dam	905,014
Dutton	80,923	Broadwater - Missouri Pipespan	318,937
Dutton	14,479	Deadman's Basin (Barber Canal)	325,756
East Bench Irrigation District	416,018	East Fork Rock Creek Dam	650,000
East Helena	144,452	Nevada Creek Dam	476,096
Ekalaka	42,656	Petrolia Dam	279,928
Ennis	8,303	Shields Canal Water Users Association	7,839
Ennis	523,535	Upper Musselshell Water Users Association	32,563
Fairview	127,656	Yellowwater Water Users Association	5,679
Flathead County for Evergreen	2,254,664	Sun Prairie Water and Sewer District	274,939
Forsyth	216,707	Sun Prairie Water and Sewer District	123,537
Fort Benton	99,875	Three Forks	47,025
Fort Benton	401,039	Tin Cup Water and Sewer District	217,043
Gardiner - Park County Water District	137,461	Tongue River Project	9,851,282
Glasgow	794,674	West Yellowstone	123,481
Glendive	453,869	West Yellowstone	208,391
Harlem	128,650	White Sulphur Springs	103,692
Havre	344,121	Whitefish	297,978
Huntley Irrigation District	997,649	Wibaux	129,455
Huntley Irrigation District	239,307	Yellowstone County	30,045
Huntley Irrigation District	87,581	Yellowstone County	45,929
Huntley Irrigation District	236,665		
<b>TOTAL</b>			<b>\$ 50,916,585</b>

DNRC is working with the Department of Commerce on over 30 projects that are combined TSEP and RRGLP projects. The Department of Commerce has recommended several loans, which would be administered by DNRC, to Montana communities. In FY 2004, none of those communities had elected to use these loan options.



## Conservation District Water Reservations

Fourteen CDs in the Yellowstone River basin have reserved water rights for irrigation purposes. During the 2003 irrigation season, the Yellowstone River basin conservation districts received approval from the DNRC director for five detailed development plans in Big Horn, Custer County, and Dawson County Conservation Districts. There are currently 170 active detailed development plans authorizing a total diversion of 74,156 acre-feet of water from the Yellowstone River and its tributaries. The remaining balance of unappropriated reserved water in the Yellowstone River basin is 474,031 acre-feet.

Nineteen CDs in the upper Missouri River basin and the lower and Little Missouri River basins have active water reservations. By the end of the 2003 irrigation season, the conservation districts approved detailed development plans in Chouteau County, Fergus, Richland County, and Roosevelt County Conservation Districts. There are currently 56 active detailed development plans authorizing a total diversion of 23,968 acre-feet of water from the upper Missouri River basin, lower Missouri River basin, and Little Missouri River basin. The remaining balance of unappropriated reserved water is 281,484 acre-feet.

The CDs have actively continued to inform the public of the availability of reserved water through newsletters, newspaper articles, county/agricultural fair booths, and direct mailings to potential water users. CDs continue to make major progress toward developing their water reservations. Work is ongoing to obtain low-cost electric power for irrigation through the Pick-Sloan Program.

## Irrigation Development Program

The Vision 2005 Task Force organized by the Montana Department of Agriculture set a goal to double the value of agriculture in Montana by the year 2005. One of the key components of this vision was to develop 500,000 acres of new irrigation projects that would grow high value crops such as potatoes and sugar beets. The 1999 Legislature established the Irrigation Development Program to accomplish this goal.

Over the last four years, the program has assisted 170 producers in efforts to develop new irrigation and enhance and improve existing irrigation systems. Financial, technical, and legal assistance was also provided. In FY 2004, program staff worked with groups throughout eastern Montana to pursue the development of new projects and find ways to increase the value of existing irrigation. Irrigation development projects have involved high lifts, drilling new wells, and building dams large enough to hold water for irrigation sprinklers. Approximately 56 irrigation projects are ongoing.

Currently three large irrigation projects are in the advanced planning stage. The Chester Project will use Tiber Reservoir water and irrigate up to 40,000 acres; the North Sprole Project will use Missouri River water and irrigate over 11,000 acres on the Fort Peck Reservation near Poplar; and the West Crane Project will use Yellowstone River water to irrigate over 8,000 acres near Sidney. It is estimated that these projects would generate at least \$6 million to the local economies and possibly \$42 to \$48 million with value-added efforts.

As part of the Irrigation Development Program, grants of up to \$15,000 per irrigation project are available through CARDD. Both private and public applicants are considered. Projects are eligible if they lead toward the development of new

irrigation or increase the value of agriculture for existing irrigated lands. Project examples include installing test wells for irrigation, conducting feasibility studies on irrigation system improvements or new irrigation projects, and providing information to the public, such as agriculture tours to educate producers on new technology. Currently this program has sponsored or been involved in over 27 tours. Grants awarded in FY 2004 are shown in Table 11.

<b>Table 11</b> <b>Irrigation Development Grants Awarded in FY 2004</b>		
<b>Project Sponsor</b>	<b>Project</b>	<b>Amount</b>
Chester Irrigation Project LLC	Irrigation Efficiency Improvements	\$ 15,000
Fergus County Applicant	Irrigation Test Well Drilling	5,000
Paradise Valley Irrigation District	Consultant for Pick Sloan Pumping Power	10,000
West Crane Irrigation District	Irrigation Planning Consultant Services	6,000
<b>TOTAL</b>		<b>\$36,000</b>

## Regional Water Systems

The Fort Peck Dry Prairie Rural Water System received authorization from the U.S. Congress in October 2000 (Public Law 106-382). In the fall of 2003 formal groundbreaking ceremonies were held. The U.S. Bureau of Reclamation (BOR) began releasing funds for construction in September 2003. An innovative funding package of combined federal, state, and local dollars was developed with significant assistance from CARDD. Dry Prairie awarded contracts for construction of a 23-mile leg of water main from Culbertson to Medicine Lake. Water from the existing Missouri River water treatment plant at Culbertson will be pumped northward to serve the communities of Froid and Medicine Lake and a number of rural connections on an interim basis. Five miles of water main pipeline were constructed in October and November 2003. Work on the remaining 18 miles resumed in March 2004. It is anticipated that Froid and Medicine Lake will be connected some time in September 2004. The total cost for this portion of project construction is approximately \$4.6 million, including a \$313,000 SRF loan and a \$826,000 grant from the TSEP Regional Water Fund.

The construction contract for a water intake in the Missouri River below Wolf Point was awarded by the Fort Peck Tribes to a Montana-based construction company. Construction commenced in late spring 2004 after peak flows subsided. The water treatment plant site has been relocated from the Poplar vicinity to a location near the intersection of U.S. Highway 2 and Montana Highway 13, due to geotechnical concerns about placement near or on Missouri River sediments. A portion of the FY 2004 funds will be used for preparing the construction site. Congress appropriated \$7.5 million for FY 2004, with \$6.8 million of that financed through BOR. The Tribes will receive \$4.8 million and Dry Prairie about \$2 million. A \$25-million request to Congress is planned for FY 2005; the total system cost is indexed at \$220 million.

Authorization of the Rocky Boy's – North Central Montana Regional Water System was signed into law in 2002 (PL 107-331, Title IX). Some recently completed activities are a BOR value engineering study for the entire project, a water conservation plan, and public hearings in the summer of 2003 preliminary to the drafting

of the environmental assessment (EA) and the final engineering report (FER). The FER and EA are both scheduled for completion in late fall 2004, with submittal to the U.S. Office of Management and Budget for review and commentary shortly thereafter. After that review, the U.S. Department of the Interior will prepare the FER for submittal to Congress for the mandatory 90-day waiting period required before construction funds can be released.

The total project cost is indexed at approximately \$230 million. The tribe and the U.S. Department of the Interior plan to ask Congress for \$17 million for federal FY 2005. Most of these funds will be used for project construction, including micro-tunneling into Lake Elwell from a site adjacent to Tiber Dam for the water intake structure and initial work on the design and site preparation for the water treatment plant. An engineering firm will be overseeing pilot testing of the water treatment plant technology at Lake Elwell in 2004.

The Musselshell Valley Regional Municipal Water Project for central Montana is planned to stretch from southwest of Utica east to Melstone via Roundup, with branch mains south to Harlowton, Shawmut, Ryegate, and Lavina. The preliminary estimated cost is \$34 million. The State Coal Board has granted a total of \$525,000 for exploratory drilling, water testing, and engineering studies. Test well drilling north of Utica began in August 2003 and is complete; the well will be tested for water quality and quantity. The Central Montana RC&D and project engineers are optimistic that an adequate supply of potable water will be reached in the Madison Formation deep aquifer.

The Dry-Redwater Project was established due to interest from local officials and residents of Garfield, McCone, and portions of Dawson and Prairie Counties. The 2003 Montana Legislature appropriated \$30,000 to fund a feasibility study of a small regional water system for the area. DNRC has contracted with McCone CD for grant administration. A steering committee has been formed, a phone survey completed, and a request for technical qualifications advertised. The steering committee has selected a qualified engineering firm, and the feasibility study will be complete in December 2004.

See Figure 8 on page 44 for a map of areas to be served by regional water systems.

**Figure 8. Areas to Be Served by Regional Water Systems**

